

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

RENEWAL OF EXPERIMENTAL CLASSIFICATION AND  
FEES FOR WEIGHT-AVERAGED NONLETTER-SIZE  
BUSINESS REPLY MAIL, 1999

Docket No. MC99-1

UNITED STATES POSTAL SERVICE  
NOTICE OF ERRATA TO  
RESPONSES OF WITNESS JAMES KIEFER TO OCA INTERROGATORIES  
(OCA/USPS-T1-19, T1-25, T1-30)  
(April 26, 1999)

The United States Postal Service hereby gives notice that today it is filing errata to several interrogatory responses of Docket No. MC99-1 witness James Kiefer, which were originally filed on April 16, 1999.

As indicated in the April 22, 1999, status report concerning negotiations in Docket No. MC99-1, some minor errata in the confidential workpaper of Docket No. MC99-2 witness Leslie Schenk (USPS-T-3) were identified during the April 20, 1999, technical conference. That status report also indicated that the errata were likely to have minor downstream ripple effects in some of the Docket No. MC99-1 interrogatory responses of witness Kiefer (USPS-T-1).

The Postal Service has identified three of witness Kiefer's April 16, 1999, Docket No. MC99-1 interrogatory responses which are affected by the correction of the confidential workpaper: OCA/USPS-T1-19, T1-25 and T1-30.

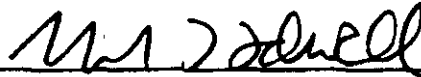
Attached are revised answers to each of these interrogatories. Each interrogatory is stated verbatim and followed by the revised response. Numerical changes are indicate by the use of shading.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking



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Revised 4/26/99

**RESPONSE OF U.S. POSTAL SERVICE WITNESS KIEFER TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

**RESPONSE to OCA/USPS-T1-19 (Continued)**

**TABLE A (Revised 4/26/99):  
Costs for Weight Averaging – Experiment Procedures  
(20 sample sacks per sample period)**

		Average across sites	Explanation
<b>Per Piece Cost (daily weighing)</b>	Daily Weighing (time in minutes)		[1] Cost Survey (adjusted to reflect average daily workload over data collection period)
	Average daily pieces	8,288	[2] Experiment data collection results
	Average number of pieces weighed per hour		[3] $[2] / ([1] / 60)$
	Daily hours per piece		[4] $([1] / 60) / [2]$
	Wage Rate	\$26.30	[5] R97-1, PRC-LR10, adjusted to reflect FY 1999 APWU wage agreement
	Attributable cost per piece		[6] $[4] * [5]$
	Piggyback factor	1.4624	[7] R97-1, PRC LR-10 (Chapter IV, page 2)
	Cost per piece (daily weighing)		[8] $[6] * [7]$
		Average across sites	Explanation
<b>Fixed Cost Per AP (accounting and sampling)</b>	Average number of pieces sampled per AP	4,838	[9] Experiment data collection results
	Daily Accounting (time in minutes per day)	14.48	[10] Cost Survey
	Sampling (time in minutes per AP)		[11] Cost Survey (adjusted to reflect average daily workload over data collection period)
	Average number of pieces sampled per hour		[12] $[9] / ([10] / 60)$
	Total time per AP for non-volume variable activities (in hours)		[13] $([10] * 25 + [11]) / 60$
	Wage Rate	\$26.30	[14] R97-1, PRC-LR10, adjusted to reflect FY 1999 APWU wage agreement
	Attributable cost per AP		[15] $[13] * [14]$
	Piggyback factor	1.4624	[16] R97-1, PRC LR-10 (Chapter IV, page 2)
	Fixed cost per AP		[17] $[15] * [16]$

Revised 4/26/99

RESPONSE OF U.S. POSTAL SERVICE WITNESS KIEFER TO  
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RESPONSE to OCA/USPS-T1-19 (Continued)

TABLE B (Revised 4/26/99):  
Costs for Weight Averaging – Recommended Procedures  
(10 sample sacks per sample period)

		Average across sites	Explanation
Per Piece Cost (daily weighing)	Daily Weighing (time in minutes)		[1] Cost Survey (adjusted to reflect average daily workload over data collection period)
	Average daily pieces	8,288	[2] Experiment data collection results
	Average number of pieces weighed per hour		[3] [2] / ([1] / 60)
	Daily hours per piece		[4] ([1] / 60) / [2]
	Wage Rate	\$26.30	[5] R97-1, PRC-LR10, adjusted to reflect FY 1999 APWU wage agreement
	Attributable cost per piece		[6] [4] * [5]
	Piggyback factor	1.4624	[7] R97-1, PRC LR-10 (Chapter IV, page 2)
	Cost per piece (daily weighing)		[8] [6] * [7]
		Average across sites	Explanation
Fixed Cost Per AP (accounting and sampling)	Average number of pieces sampled per AP	2,419	[9] Experiment data collection results
	Daily Accounting (time in minutes per day)	14.48	[10] Cost Survey
	Sampling (time in minutes per AP)		[11] Cost Survey (adjusted to reflect average daily workload over data collection period)
	Average number of pieces sampled per hour		[12] [11] / 60
	Total time per AP for non-volume variable activities (in hours)		[13] ([10] * 25 + [11]) / 60
	Wage Rate	\$26.30	[14] R97-1, PRC-LR10, adjusted to reflect FY 1999 APWU wage agreement
	Attributable cost per AP		[15] [13] * [14]
	Piggyback factor	1.4624	[16] R97-1, PRC LR-10 (Chapter IV, page 2)
	Fixed cost per AP		[17] [15] * [16]

**Errata: Response to OCA/USPS-T1-25**

**Response 25, Page 1, Line 14 of Response: Change \$646.84 to \$690.45**

**Response 25, Page 1, Line 15 of Response: Change \$646.84 to \$690.45**

**Response 25, Page 1, Line 15 of Response: Change \$700.74 to \$747.99**

**Response 25, Page 2, Line 2 of Response: Change \$700.74 to \$747.99**

**Response 25, Page 2, Line 2 of Response: Change \$37,840 to \$40,391**

**Response 25, Page 2, Line 3 of Response: Change \$0.0054 to \$0.0055**

**Response 25, Page 2, Line 4 of Response: Change \$0.0054 to \$0.0055**

**Response 25, Page 2, Line 4 of Response: Change \$60,420 to \$61,538**

**Response 25, Page 2, Line 5 of Response: Change \$60,420 to \$61,538**

**Response 25, Page 2, Line 5 of Response: Change \$37,840 to \$40,391**

**Response 25, Page 2, Line 6 of Response: Change \$98,260 to \$101,929**

**Response 25, Page 2, Line 7 of Response: Change \$98,260 to \$101,929**

**Response 25, Page 2, Line 7 of Response: Change \$408,404 to \$404,735**

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RESPONSE OF U.S. POSTAL SERVICE WITNESS KIEFER TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-25. You state at page 10 of your prepared testimony in Docket No. MC99-2 that witness Schenk's testimony and study "shows that the fees charged during the experiment more than cover ongoing costs." Has witness Schenk undertaken any study determining the extent to which the fees for the experiment cover any or all start-up costs for development including but not limited to consulting fees, data-collection, the special cost study, hardware, software, training, software user manual costs, or other start-up costs which are not included as part of the cost study presented in her testimony? If so, please provide the study or studies.

RESPONSE: Neither USPS witness Schenk nor any other person, to my knowledge, has conducted any of the studies described in the question. Nevertheless, a relatively simple calculation based on the data contained in witness Schenk's Docket No. MC99-2 testimony (USPS-T-3, Table 3) will demonstrate that the experimental fees paid by the experiment's original three weight averaging participants have more than covered the costs of the experiment. Assuming 18 months of participation for each of the three participants so far, the total fixed (monthly plus setup) fees paid have been:

$$18*3*\$3,000 + 3*\$3,000 = \$171,000.$$

Assuming 25 processing days per month, and 8,288 average daily pieces per participant, the total per piece fees paid have been:

$$25*18*3*8,288*\$0.03 = \$335,664.$$

Together, the three participants have paid  $(\$171,000 + \$335,664) = \$506,664$  in fees. Witness Schenk's Table 3 shows fixed costs of \$690.45 per AP, or  $(\$690.45*13/12) = \$747.99$  per month. The total fixed costs for the three

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RESPONSE to OCA/USPS-T1-25 (Continued)

participants for 18 months would then be:

$$18 \times 3 \times \$747.99 = \$40,391$$

Table 3 shows per piece costs of \$0.0055, yielding total per piece costs of:

$$25 \times 18 \times 3 \times 8,288 \times \$0.0055 = \$61,538.$$

The total costs of the three participants would then be  $(\$40,391 + \$61,538) = \$101,929$ . Subtracting these costs from total fees paid, we have  $(\$506,664 - \$101,929) = \$404,735$ . While there has been no specific accounting of setup/development costs for the nonletter-size BRM experiment, it appears likely that the costs fall well below \$400,000. See also responses to OCA/USPS-T1-26 and OCA/USPS-T1-31.

**RESPONSE OF U.S. POSTAL SERVICE WITNESS KIEFER TO  
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**OCA/USPS-T1-30. Using witness Schenk's cost methodology, please calculate the mark-up for the weight-averaging service during the extended experimental phase if the fees were:**

- a. \$.03 cents per piece and the monthly fee is \$3000;**
- b. \$.02 cents per piece and the monthly fee is reduced to \$1000;**
- c. \$.01 cent per piece and the monthly fee is reduced to \$600.**

**RESPONSE:**

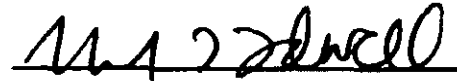
**a - c. See the following table. In performing these calculations I have used cost and average daily volume figures from witness Schenk's Docket No. MC99-2 testimony (USPS-T3, Tables 3 and 4), and have also assumed a total of 25 processing days per month.**

<b>Per-Piece Fee</b>	<b>Per Month Fee</b>	<b>Sacks Sampled</b>	<b>Per-Piece Cost</b>	<b>Monthly Fixed Cost</b>	<b>Annual Fee Total</b>	<b>Annual Cost Total</b>	<b>Cost Coverage</b>
\$0.03	3,000	20			331,776		
\$0.03	3,000	10			331,776		
\$0.02	1,000	20			185,184		
\$0.02	1,000	10			185,184		
\$0.01	600	20			96,192		
\$0.01	600	10			96,192		



**CERTIFICATE OF SERVICE**

I hereby certify that a copy of this pleading has been mailed today to each party of record in this proceeding in accordance with Rule 12 of the Commission's Rules of Practice and Procedure.

A handwritten signature in black ink, appearing to read "Michael T. Tidwell", written over a horizontal line.

Michael T. Tidwell

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April 26, 1999  
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